SUPPLIER RELATIONSHIP MANAGEMENT LEVERAGES INTELLECTUAL CAPITAL FOR INCREASED COMPETITIVE ADVANTAGE

- INTELLECTUAL CAPITAL MANAGEMENT SERIES - (Article 1 of 3)

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The main purpose of this article is to demonstrate how supplier relationship management (SRM) enables the capture and creation of intellectual capital, thereby attaining and sustaining a strategic competitive advantage and increasing supply chain profitability. In order to achieve this purpose, a large part of the article is devoted to exploring the relatively new and unknown field of SRM. It is shown that an organisation must possess a thorough understanding of good supplier characteristics and of the drivers, benefits and requirements for the successful implementation of SRM, in order to enable that organisation to leverage their supplier relationships to ensure the capture of supplier expertise, patents, experiences etc. (i.e. their intellectual capital).

The article then explores how the integration of technology in SRM applications can improve the efficiency of supplier collaboration and intellectual capital capture and creation. It is then demonstrated how efficient and collaborative supplier relationships improve supply chain profitability and competitiveness.

Lastly, the article explores the implementation pitfalls and trends of SRM that must be constantly considered and monitored by an organisation in order to continually capture and create intellectual capital and reap the full benefits of SRM.

This exploration involved an examination of contemporary literature, theories and business cases and subsequently revealed that SRM is a vital discipline/philosophy that must be implemented by any organisation wishing to achieve greater supply chain efficiency and competitiveness. This competitiveness can only be achieved through the mutual unlocking, sharing and leveraging of intellectual capital.

Keywords and phrases: supplier relationship management, competitive advantage, intellectual capital

INTRODUCTION

The key to survival for any organisation in the network, knowledge economy is to attain and maintain a sustainable competitive advantage (SCA). SCA is defined as: the prolonged benefit of implementing some unique value-creating strategy that is not simultaneously being implemented by any current or potential competitors due to their inability to duplicate the benefits of this strategy, or to the experienced difficulty and cost associated with imitation (Hitt, Ireland & Hoskisson, 2003: 6; Hoffman, 2000; & Longnecker et al. in Cook, 2003).

In this new age of knowledge and intellect, new economy organisations striving to achieve SCA must consequently be capable of great agility where wave after new wave of innovative products and services can be continually introduced into rapidly changing global markets.

According to Carrol & Tansey (2000: 296), success in this new age requires intellectual capital and the ability to manage this scarce resource. Intangibles are currently the main drivers of growth and competitiveness in the corporate world and must consequently be carefully managed and protected (Garcia-Ayuso, 2003: 599).

To protect and manage intellectual capital, organisations must closely examine the structure of these intangible assets. There are three basic forms of intellectual capital that must be recognized and categorized, namely: human capital (people and their skills); structural capital (patents, documents, methodologies, databases, brands, and other knowledge artifacts); and relationship capital (predominantly relationships with suppliers and buyers) (Skoog, 2002: 487 and Leliaert, Candries & Tilmans, 2003: 202).

A large amount of the subsequent focus on intellectual capital has been on human capital and the development of knowledge management practices, processes and philosophies to enable the effective capturing and leveraging of this capital. This series of articles consequently focuses on the other two primary forms of intellectual capital, namely relationship and structural capital. The first two articles explore the two main categories of relationship capital, supplier relationship management and customer relationship management, and how these disciplines enable sustainable competitiveness. The third and final article focuses on structural capital, with particular emphasis on how innovation and process capital increase competitiveness.

In this article, supplier relationship management and its contribution to sustainable competitive advantage is explored in more detail.

Archimedes once said: “Give me a lever long enough and a fulcrum on which to place it and I shall move the world” (As quoted by Archimedes).

Today, businesses of all sizes, throughout the world, are trying to redefine their relationships with their suppliers in order to lower costs, increase quality and speed, and reduce risk. In these attempts, businesses are applying Archimedean thinking as they attempt to transcend the purely tactical realms of purchasing, procurement, and sourcing into the more strategic area of building alliances with suppliers to increase supply chain competitiveness (Evans 2003: Internet).

The purpose of this article is to demonstrate the benefits of the development and management of mutually beneficial relationships with suppliers. These relationships are intangible and, when properly managed, allow the organisation access to their suppliers’ expertise, experiences, patents, best practices and processes, etc. (i.e. their intellectual capital). When supplier relationships are developed to the point of strategic alliances, new best practices, processes and expertise (intellectual capital) can be created, thereby assuring the strategic alliance of a competitive edge and a more efficient and profitable supply chain.

However, in order to demonstrate the abovementioned benefits, this article first explores the concept and drivers of supplier relationship management (SRM) as well as the characteristics required of a good supplier (a supplier worthy of partnering an organisation in a strategic alliance). The necessary requirements for the development of close supplier relationships are also explored, in order to demonstrate the complexity and level of commitment required by organisations to enable the organization to develop and leverage these relationships for the capture and creation of intellectual capital, thereby ensuring increased supply chain and organisational competitiveness and profitability.

Secondly, this article explores how the implementation and integration of modern technologies with SRM principles and practices greatly enhances the effectiveness and collaborative power of SRM, ultimately leading to improved intellectual capital capture and creation.

Thirdly, this article demonstrates how the development and maintenance of good supplier relationships and the subsequent creation of new intellectual capital (e.g. expertise and improved manufacturing and shipping processes) contributes to increased supply chain efficiency, resulting in increased revenue and a better strategic competitive position for all parties to the relationship.

Fourthly, this article explores the major pitfalls that organisations must consider when considering developing strategic relationships with suppliers.

Fifth, and finally this article explores the latest supply chain and supplier relationship trends that should be considered by any organisation planning to implement SRM principles and practices to capture and create intellectual capital and thereby improve supply chain efficiency. Organisations currently employing SRM practices must also take these trends into consideration to further improve the effectiveness of their efforts.

SUPPLIER RELATIONSHIP MANAGEMENT (SRM) DEFINED

In the modern economy, many companies derive a large majority of their product value from their supply base. Over the past century, outsourcing of services, materials, and manufacturing has grown tremendously as companies have implemented more cost-effective and leaner operating models. Today, purchased items represent approximately 60% of the total cost of goods sold as opposed to 20% ten years ago. This trend is expected to continue as companies have realized the necessity of focusing their resources on their core businesses and competencies and on outsourcing auxiliary functions in which they do not have a competitive advantage. This will allow companies to reduce costs and enhance customer responsiveness as well as optimize resource utilization. As a result of this, many organisations will come to rely heavily on, not only securing the correct supply base, but also on maintaining strategic relationships with suppliers. This is especially important in the procurement of direct, strategic materials, which are procured from a small number of trusted vendors (Manugistics 2003: Internet)

SRM allows for the development and maintenance of these strategic relationships with key suppliers and forces enterprises to adopt a new way of thinking about the supply chain and supply chain transparency. Rather than seeking the greatest short-term advantage in each transaction, suppliers and their customer organisations seek to work together in close collaboration for long-term mutual advantage. These relationships require a new level of trust and commitment that, in the past, was often absent in the traditional purely transactional interactions (IDC Executive Brief 2003: Internet; SAP E-Business Solutions 2002: Internet).

The trust and commitment mentioned above, motivates suppliers to share their manufacturing, engineering, transport etc. expertise with the organisation. By gaining access to this intellectual capital, the organisation will be able to design better products and implement leaner and more efficient manufacturing processes. Supplier expertise on transport economics can also be employed by the organisation to cut distribution costs and get to market quicker. Cost reductions can be passed onto consumers as decreased prices and this, together with increased speed to market, increases the organisations profitability and strategic competitive position.

The Characteristics of a Good Supplier

According to Badenhorst *et al.* (2001: 150), in order to implement SRM and effectively manage supplier relationships to release intellectual capital for a competitive advantage, an organisation must be aware of what characteristics a supplier must possess in order to be worthy of entering into a partnership with. A good supplier honours promises, has a stable background, always supplies the quality as specified at a fair and competitive price, and delivers the goods at the agreed upon time. He/She is also capable of, and willing, to react quickly to a multitude of unforeseen needs of the organisation, resulting from changing business circumstances, specification changes, maintenance problems, or other requests. A good supplier is proactive and takes the initiative in suggesting better methods of service and constantly tries to develop new cost-effective products or services that will enable the organisation to make its purchases more economically.

Good suppliers also warn the organisation in good time if the normal agreed upon delivery cannot be made, provides reasons for this delay, and makes alternative arrangements so that the organisation's operations are not disrupted (Badenhorst *et al*. 2001: 150-151).

A good supplier must also, most importantly, be committed to the relationship and be willing to share their intellectual capital.

The Drivers of SRM

Before implementing SRM practices and principles, the organisation must understand the drivers of SRM. These drivers are stronger than mere benefits and represent the core purpose of SRM. Both the organisation and the supplier must believe that they will receive significant benefits in one or more of the areas mentioned below, and that these benefits would not be possible without SRM implementation. According to Lambert and Stock (2001: 510-512), the primary potential benefits that drive the desire to implement SRM include:

- **Asset/Cost efficiency** – both parties must evaluate the probability of the relationship substantially reducing channel costs or improving asset utilisation, e.g. distribution costs savings, product and information handling cost savings, increased pooled managerial efficiencies, etc.

- **Customer service** – SRM can substantially improve the customer service level (which is a major source of differential competitive advantage today) as measured by the customer. This includes: improved on-time delivery, paperless order processing, accurate order deliveries, improved cycle times, improved fill rates, and process improvements.

- **Marketing advantage** – a successful relationship can lead to substantial marketing advantages, e.g. promotion (joint advertising, sales promotion, etc.), reduced competitor price advantage (the relationship results in cost savings that can be passed on as price reductions to customers), jointly developed product innovation and co-branding opportunities, increased geographic coverage and market saturation, and access to the latest technology.

- **Profit stability/growth** – SRM can lead to profit growth or reduced variability in profit, e.g. sustainable growth, market share stability, sales volume increases, etc.

However, the benefits of the drivers mentioned above can only be optimally achieved if the organisation and its suppliers are willing to share their intellectual capital. Shared expertise and experiences will enable the actualisation and realisation of these benefits.

It also bears mentioning that, if the organisation and its suppliers develop their relationships into strategic alliances where intense collaboration and trust allow for the creation of new intellectual capital, the alliance will be able to transcend the realm of what was thought possible and leverage the abovementioned drivers into core competencies and key sources of strategic competitive advantage for their supply chains.

The Benefits of Close Supplier Relationships

Two of the greatest benefits of SRM are co-makership and the development of more competitive, responsive and competitive supply chains.

According to Du Plessis *et al.* (2001: 283), co-makership, as mentioned above, is based on the concept that a traditional organisation's supplier contact is characterised by friction over quality, price and delivery. However, through SRM, organisations and their suppliers come to realise that their businesses can be much more profitable if they adopt close co-operation and implement comprehensive communication with suppliers that include the areas of product development, quality, engineering and logistics. Mutual trust, continuity of the relationship, and the willingness of each party to create a profitable business for the other, are the foundations on which the relationship is built. These relationships have impacts on a number of specific areas such as:

- **Product specification** – by working together, customer organisations and suppliers can ensure that a product is designed according to a supplier's manufacturing capabilities and the customer's needs. This avoids over specification, leads to greater standardisation and lower reject levels, and results in less rework by customer and supplier, higher delivery performance, lower costs, and greater supplier and customer satisfaction.

- **Quality** – in these relationships, quality is built in at the design stage and continuously improved through effective process control. Supplier and customer work together towards increasing the quality of the product and reducing inspection to a minimum.

- **Mix and volume flexibility** – this is achieved with the shortest possible lead-time. The supplier and customer work together so that the manufacturing and supply processes of both parties are synchronised.

Other benefits of implementing SRM include: increased operating flexibility, which can develop into ultimate flexible manufacturing where suppliers can yield an economic lot size of one to satisfy the diverse end customer preferences and needs; increased value for the customer's customers with faster and better responses to new needs and opportunities; enhanced leverage with technology is also possible with earlier access to new concepts and greater control over technological change; finally, strong supplier relationships enable more powerful competitive strategies which are achieved when a customer organisation adds its supplier's expertise to its own (Du Plessis *et al*. 2001: 284).

All of the abovementioned benefits of co-makership are only possible when the organisation and its suppliers share their intellectual capital. However, when the organisation and its suppliers collaborate within close strategic alliances and develop new intellectual capital, the benefits of co-makership can be optimized and leveraged as sources of competitive advantage that increase supply chain (and all parties to that supply chain) profitability. For example, in the case of product specification, sharing intellectual capital can ensure that the organisation's manufacturing process is compatible with the capabilities of their supplier. However, if the organisation and supplier closely collaborate to develop a new, leaner and more cost-effective manufacturing process for both organisations, new expertise (intellectual capital) is created that can be a greater source of efficiency and competitiveness.

Essential Ingredients in Establishing Good Supplier Relationships

An organisation must first consider what is necessary for the development and maintenance of supplier relationships, before SRM can be implemented and the resultant supply chain benefits reaped. Relationships with suppliers, like those with all other organisational stakeholders, include and require the development of mutual trust. Before a trust-based relationship can be established, customers and suppliers must bond on the basis of similar core values. If the values, business practices, and objectives of an organisation and its suppliers do not align before the formation of a relationship, it is unlikely that the relationship will survive (Du Plessis *et al.* 2001: 285).

The management philosophy and techniques (i.e. the organisational structure, the use of Total Quality Management, the degree of top management support, the types of motivation used, the degree of employee empowerment, etc.) of the two companies must also be compatible for a successful relationship to develop (Lambert & Stock 2001: 511).

For successful relationships, the organisation and its suppliers must also bond according to their values and culture, and their respective leaders should establish and publicly commit to goal alignment and continuous multi-value creation. The organisation and its suppliers will then be able to align their strategies and capabilities, to ensure that the value that they have committed to their end customers is delivered seamlessly and quickly (Du Plessis *et al.* 2001: 284-285).
Other essential ingredients in supplier relationships include:

- **External and internal marketing** – SRM principles must be marketed both within the organisation and within the supplier's organisation. The core business values and objectives must be communicated and internalised by both enterprises. The opportunity that can be derived from increased supplier bonding, especially with the best or most strategic suppliers, must be clearly stated and communicated.

- **Shared information** – by working to the same data on demand, inventories, and marketplace trends, a more cost effective logistics process can be developed. When information is shared between the organisation and its suppliers, uncertainty is reduced and inventories can be drastically cut.

- **Capabilities** – the capabilities of the organisation, including the technologies and processes of the organisation and its adaptability to relationship-focused cooperation, need to be carefully considered. The organisation must be capable of establishing a process to plan, implement, manage, measure, and share the creation of new value with its suppliers. The management of change between an organisation and its suppliers must also be carefully and competently executed.

- **Supplier assessment tools and practices** – an organisation must build a good data warehouse describing the various important dimensions of suppliers and their performance, must be capable of accurately assessing supplier contributions to company profitability and future profitability, and of selecting strategic suppliers from among them that add the most relative value. The organisation must also benchmark suppliers relevant to one another in terms of their importance to the organisation.

Organisations and their suppliers must also consider mutuality and symmetry before making the decision to implement SRM. According to Lambert & Stock (2001: 511), mutuality and symmetry include:

- **Mutuality** – both parties must have the skills and pre-disposition needed for mutual relationship building. The management of both companies must be skilled at dual-sided thinking and action, where the perspective of the other company is taken into consideration. Management must also be skilled at expressing goals and sharing expectations, and of taking a longer-term view. The management teams of both organisations must be willing to share intellectual capital and integrate their systems.
- **Symmetry** – the parties must be similar in terms of the following important factors in order for the relationship to be a success. These factors include: relative size in terms of sales; relative market share in their respective industries; financial strength; productivity; brand image/reputation; and technological sophistication.

On a more administrative level, the following ingredients also bear consideration. According to Badenhorst *et al*. (2001: 168-170), these include:

- **A well-formulated supplier policy** – this policy should deal with how an organisation should receive and treat suppliers, accept invitations and gifts, delegate authority to finalise transactions, the confidentiality of information, and the criteria for supplier rating.

- **Regular contact** – the organisation must hold regular supplier meetings at which purchasing policy and problems are made clear, as well as undertake regular visits to suppliers to remain abreast of problems they may be experiencing and to offer help wherever possible.

- **Investment** – both parties must invest in technology and people and must share risks and reward. Both parties must also be committed to each other’s success.

In order to further ensure relationship success, suppliers should be provided with written information on the organisation’s purchasing policy and the purchasing procedure manual in order to eliminate misunderstandings and uncertainty. The organisation must also avoid placing urgent orders, which may lead the supplier to believe that the organisation is practicing crisis management. The organisation must also receive and inspect products or goods, which have been delivered timeously and must deal sensitively with consignments that are rejected. The organisation must have complete and clear communication with the supplier on all aspects of the product or service to be bought, including possible future changes. There must also be mutual consideration and timeous communication of changes in schedules or instructions.

The fundamental ingredient in the establishment of good supplier relations is the development of a sharing culture where both parties are willing to divulge their intellectual capital. Once this is established, all the other ingredients come into play to enable the smooth establishment, maintenance and management of the relationship that will ensure the continued existence of the culture of sharing, and in some cases an evolution of this sharing culture into one of intense collaboration where new intellectual capital is created.

THE INTEGRATION OF TECHNOLOGY IN SRM APPLICATIONS

Initially, supplier integration was achieved through incomprehensible and complicated integrations of IT environments, i.e. installing the same software and platforms and creating specific shared networks. Nowadays, companies can integrate software via the Web and the use of extendable markup language (XML), which has made the technological problems much easier to deal with. Companies can now, quickly and easily, share automated information in real-time without undergoing any complicated IT integration. Web services allow companies to let applications interact in a modular manner where information is shared, as opposed to the integration of code, as was the case with the old electronic data interchange (EDI) system. Faster and better collaboration and communication are made possible by Web Services, which in turn increases the success of the relationship and the effectiveness of SRM (Van Dyk & van Steenderen 2002: Internet).

Web services can be used to leverage the collaborative power of supplier relationships and allow organisations and their suppliers to quickly and easily exchange their intellectual capital.

The integration of technology in SRM applications allows co-operating parties to conceptualise and codify best practices into their interaction, as well as enforce compliance across multiple divisions and locations. SRM partners can use technology to allow each other to see information they might have kept secret from one another before, such as real-time changes in prices paid for components or changes in actual shipping costs. This is made possible due to new information security protocols and applications that serve to safeguard the information within the partnership (IDC Executive Brief 2003: Internet).

Technology allows for the automation of the three critical areas of supplier relationships. The first is the creation of the supply relationship, where technology tools are used to determine who to buy from and what to buy from them. The second is the execution and management of purchase orders. The final area includes the sustaining of the relationship through the creation of a Web-based catalogue system and the building of a communication bridge between a design team and procurement department for the release of a new product (Cahners Business Information 2001: Internet).

Finally, the collaborative power of the Internet can now be leveraged so that SRM can enable suppliers and buyers to work in real-time with the customer. This results in improved product quality, decreased cycle times and lower production costs. With information available anywhere, anytime, suppliers can log onto a Web page to read about adjusted shipments, engineering changes and updated product specifications and demands (PeopleSoft Solutions 2003: Internet).

The trend of using secure websites for collaboration (as explored in section 6) will allow organisations to collaborate online and in real time with their geographically dispersed suppliers in a secure environment. For instance, engineering teams from both organisations can use the secure web site to collaborate on and design more efficient manufacturing processes and time-phased delivery schedules, resulting in more cost-effective and competitive supply chains.

SRM INCREASES SUPPLY CHAIN EFFICIENCY, PROFITABILITY AND COMPETITIVENESS

Supply chains are becoming increasingly complex and dynamic. Distribution channels are expanding and organisations have multi-tier supplier bases, with an increasing dependence on outsourced manufacturing and logistics. Effective implementation and understanding of SRM (as explored in the preceding sections) can assist in dealing with this complexity and ultimately increasing supply chain competitiveness. The way SRM achieves this is explained in the remaining paragraphs of this section.

SRM allows for the building of adaptive trading networks where multi-tier supply and demand plans are synchronized to reduce the occurrence of exceptions that affect an organisation's ability to meet customer commitments. The collaborative and communication principles of SRM allows for the rapid detection of exceptions and ensures that they are optimally resolved, thereby turning supply chain complexity into an important competitive advantage (Manugistics 2003: Internet).

Today, creating a non-linear supply chain is the most effective way for companies to achieve process excellence. Where the linear supply chain requires products and information to travel in one direction, SRM makes possible a new non-linear supply chain which enables organisations to share business processes freely, eliminate inefficiencies and serve customers better (PeopleSoft Solutions 2003: Internet).

SRM, with its intellectual capital capture and creation utility, allows organisations to: work with their supply base to introduce new customer-centric products and features; apply alternative technologies with lower risk; reduce inventory levels across the supply chain while minimizing out of stock items and lowering "just-in-case" carrying costs; and enhance supply chain revenue and effectiveness through improved supply assurance. SRM also minimizes information delays and distortions across all levels in the supply chain and allows for dramatic reductions in material shortages, lead times, as well as improvements in on-time shipments.

SRM provides tactical and operational level planning data, as well as real-time alerts throughout the trading network so that both suppliers and buyers can have the visibility they need to make better decisions for their respective planning operations which, in turn, improves responsiveness to changes in demand and supply. This also allows for improved visibility of supply chain glitches, which results in the minimising of operating costs. Better information and automation can also be used to discover and improve inefficiencies in order filling, shipping, invoicing, transactions, and other areas (Manugistics 2003: Internet.)

SRM allows for just-in-time (JIT) manufacturing, where supplies are delivered to the manufacturing organisation by the supplier only when needed on a regular schedule to feed the production process. Good relationships with suppliers means that they can be relied upon to deliver at the correct times and in the required quantity and quality, thereby ensuring that the manufacturer need not have capital unnecessarily tied up in excess "just-in-case" inventories. This saved capital can be used elsewhere to increase supply chain efficiency, for example, in the purchase of the latest communication and collaboration software to further increase the efficiency and accuracy of the communication of intellectual capital.

SRM ultimately allows for the nurturing of long-lasting, more profitable relationships with suppliers, enabling the exchange and creation of intellectual capital and which, in turn, allows the supply chain to get to market more quickly, respond to customer demand, and acquire a better understanding of supply and price trends over time which aids in long-term decision making. These strategic alliances ultimately separate the supply chain from its competitors.

PITFALLS IN THE IMPLEMENTATION OF SRM

Although the adoption of SRM translates into many supply chain benefits, there are several common pitfalls that companies should pay attention to when implementing SRM. According to the IDC Executive Brief (2003: Internet), these include:

- **Smooth migration** – disruptions in the supply chain can be very costly, especially if they result in workers being left idle or cause increased shipping costs. Problems in these areas could possibly alienate important suppliers, keeping them from implementing SRM.

- **Backward compatibility** – companies need to be able to maintain their core competencies. The networked, modular nature of SRM generally allows for companies to implement solutions without creating problems with previously installed application and platforms, especially if companies use Web services. An organisation must work towards the goal of ensuring that all aspects of the system are integrated and complement each other.

- **Organisational buy-in** – different areas of the company need to support the concept of co-operating with suppliers. They also need to support the prospect of deeper integration with suppliers and must realize the necessity of sharing sensitive information and contributing scarce and vital resources to supplier relationships.

Organisational buy-in and cultural change are possibly the two most important pitfalls of implementation. The organisation and its suppliers must be able to successfully promote and institute an intellectual capital sharing culture, a culture that is vastly different from traditional cultures that promulgate the treasuring and fierce guarding of expertise, competencies and trade secrets.

By constantly considering and evaluating the implementation pitfalls of SRM, an organisation can ensure that SRM principles and practices are being, and will be, optimally applied towards achieving strategic competitiveness.

SUPPLY CHAIN AND SRM TRENDS

There are several key trends that companies that have already implemented, or are planning to implement SRM, should take into consideration in order to reap the full SRM benefits. According to the IDC Executive Brief (2003: Internet), these trends include:

- **Increased use of electronic procurement for services** – companies are outsourcing more and more functions, including services. However, service offerings can be more difficult to compare than more tangible goods and weighted comparisons of multiple attributes are needed. SRM gives companies a way to communicate their needs and measure the value and performance of service providers.

- **Customer service** – the “build-to-order” concept and increased reliance on contract manufacturers to assume complete or large scale sub-assembly functions, results in companies no longer being able to afford to treat suppliers as commodity items. Quality of customer service largely depends on the kind of suppliers companies use, as well as on how they perform within the customer relationship management framework. The supply chain and SRM are so important to customer service that many companies must start to integrate CRM, SRM and supply chain management functions to obtain an even greater strategic competitive advantage.

The most important and exciting trend in the field of SRM is the development of online SRM. Online SRM streamlines communication and collaboration between buyers and suppliers and makes procurement more efficient by moving paper-based business processes to the Web and creating electronic storage and communication of information. The primary vehicle for online SRM is a secure Web site that enables all parties in the supply chain access to the same information at the same time. Corporate security never has to be compromised as only information uploaded to the site is accessible to others. The Web site creates a secure private communication network for the parties involved, where intellectual capital can be freely exchanged and created (Entomo Smarthub 2003: Internet).

By constantly investigating and evaluating the latest SRM trends, an organisation can utilize and integrate those favourable developments that will improve intellectual capital exchange and creation, as well as assist in the leveraging of supplier relationships to the preferred more profitable and efficient strategic alliances.

CONCLUSION

It is evident, from the evidence provided in this article, that the implementation and adoption of SRM practices and principles is essential to any organisation wishing to capture and create intellectual capital and, thereby, increase the competitiveness and profitability of their supply chain. If an organisation carefully weighs the requirements for SRM against the benefits and has a good understanding of the drivers of SRM and the need for the integration of technology in SRM applications, that organisations will be able to leverage SRM to increase their supply chain competitiveness and profitability. However, in order to achieve continued SRM success, an organisation must continually consider the implementation issues and constantly monitor the latest supply chain and SRM trends in order to further leverage their supplier relationships for competitive advantage.

The supply chain competitiveness and profitability mentioned above is only possible if an organisation recognises their supplier relationships as a rich source of current and potential intellectual capital to be constantly valued, invested in and managed in order to continue to reap the benefits of increased profitability and strategic competitive position.

CLOSURE

Supplier relationships are just one side of the coin of relationship capital, with customer relationships constituting an equally valuable reverse side. The development and maintenance of mutually beneficial relationships with customers unleashes both transactional and innovative customer capital that can be used to increase the success, profitability and ultimately the sustainable competitiveness of an organisation. Customer relationship management is consequently explored in more detail in article two of the intellectual capital management series. The third and final article of the series will focus on structural capital and how it can create sustainable competitiveness and prolonged first-mover advantage.

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